

## Chapter 9 - Expenditure Cycle

### PURPOSE

This chapter provides system users with an understanding of the expenditure cycle within R★STARS. Instructions to enter each of the types of expenditure cycle transactions are presented.

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### Terms

Capitalize Indicator  
Cash Control  
Encumbrance  
Expenditure Transfer  
Governmental Fund  
Modifier Code  
Pre-Encumbrance  
Pre-Paid Expenses  
Proprietary Fund  
Direct Deposit

Accounting for expenditures is a key activity in any organization. Governmental entities have increased requirements relating to the expenditure cycle due to budgetary reporting needs and the variety of different fund types. The recording of expenditure-related transactions must be carefully monitored and controlled to meet these requirements.

The expenditure cycle may be divided into three categories of transactions, which are used by most governmental funds. They are pre-encumbrances, encumbrances and vouchers payable. Each of these expenditure cycle topics are described briefly below and are followed by a graphical illustration.

## **Pre-Encumbrances**

Recording pre-encumbrances is an optional first step in the purchasing cycle. Pre-encumbrances are normally recorded for purchase requisitions. Pre-encumbrances are memo accounts only in appropriation accounting. Their inclusion in agency budget balance calculations is dependent on the Pre-encumbrance indicator in the 25 Agency Control profile.

## **Encumbrances**

Accounting for encumbrances is required in governmental fund accounting for budgeted funds. Encumbrances are purchase orders, agreements for service, contracts and other commitments to purchase goods or services. Encumbrances are used in the calculation of Remaining Free Budget-Encumbered basis and Cash Available-Encumbered basis in appropriation accounting. Their inclusion in agency budget balance calculations is dependent on the Encumbrance indicator in the 25 Agency Control profile.

## **Vouchers Payable**

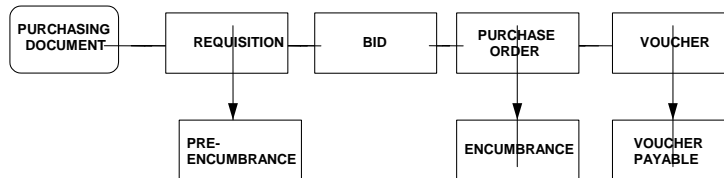
Vouchers payable are recorded to recognize expenditures. Vouchers payable transactions may also be recorded which impact revenues, asset accounts and other liability accounts. Credit memos may also be recorded to reduce vouchers payable to vendors. Accrued expenditures are used in the Accrued Basis Budget Balances for appropriations. Accrued expenditures are always included in agency budget calculations.

## **Expenditures and Payment Processing**

Payment processing includes the writing of warrants and/or direct deposits for disbursements of cash to vendors. These transactions may be system generated or entered by users. When warrants and/or direct deposits are processed additional transactions are system generated to reduce cash and the related vouchers payable balances. Cash expenditures are also recorded and the related accrued expenditure balances are reduced at the time the disbursement is processed. Cash expenditures are used in both Appropriation and Agency budget edits.

This chapter reviews the procedures for recording each of the expenditure cycle transactions described above. The last section of the chapter covers the expenditure cycle examples and user specific procedures.

## ACCOUNTING/PURCHASING RELATIONSHIPS



## **9.1 ENTRY OF PRE-ENCUMBRANCES AND ENCUMBRANCES**

Pre-encumbrances are entered into R★STARS at the option of the internal agencies. Recall that pre-encumbrances are considered “memo” entries and are not included in the calculation of available appropriation balances. Agency budget calculations, however, are dependent upon the Pre-encumbrance indicator in the 25 Agency Control profile. The current document number on the transaction uniquely identifies the pre-encumbrance in the system.

Encumbrances are typically entered as reserves of budgetary balances. They may be rejected if the available appropriation, agency budget, grant or project expendable budget is exceeded. As with pre-encumbrances, the reduction of agency budget authority by encumbrances is also controlled by an indicator in the 25 Agency Control profile. The current document number on the transactions uniquely identifies the encumbrance in the system.

When encumbrances were pre-encumbered, the entry of the encumbrance transaction with a reference document number causes the automatic liquidation of the pre-encumbrance. The value of the modifier code entered identifies if the pre-encumbrance liquidation is partial or final. Only the transaction code, pre-encumbrance number (reference document number), agency, and transaction amount need be entered. R★STARS automatically retrieves all other required information from the pre-encumbrance. This data can then be reviewed and accepted, or can be changed for the encumbrance.

The Pre-Encumbrance/Encumbrance/Expenditure Transaction Entry screen is used for pre-encumbrance/encumbrance transactions and is discussed in Chapter 3. In general, encumbrances and pre-encumbrances will be interfaced from ADPICS to R★STARS. Also see Chapter 3 for discussion of transaction split processing capabilities related to the Expenditure Cycle.

## **9.2 ENTRY OF VOUCHERS PAYABLE**

Voucher payable transactions may be entered to charge accrued expenditures, revenues or other accounts. Credit memos may also be recorded to reduce the liability to a vendor. The current document number field in R★STARS identifies the voucher payable or credit memo document. Accounts payable are liabilities which have not been “vouchered,” while vouchers payable are supported by a vendor invoice and result in the generation of a payment to one vendor.

When the appropriate transaction code and reference document number are coded, the entry of a vouchers payable transaction automatically liquidates a previously entered encumbrance. The liquidation may be partial or final, as indicated by the modifier code.

Expenditures in ADPICS may be greater or less than the related encumbrance amount as defined by the tolerance limit on the ADPICS PCHL1310 Matching Rules Table Maintenance screen.

There are many transaction codes that can be used for vouchers payable transactions. The most common vouchers payable transactions are:

- Record vouchers payable not previously encumbered.
- Record vouchers payable previously encumbered.
- Record vouchers payable for accounts receivable revenue refund.

Voucher payable transactions may be entered on the Pre-Encumbrance/ Encumbrance /Expenditure Transaction Entry screen, an example of which is provided in Chapter 3. Input coding instructions are also found in Chapter 3.

In general, vouchers payable will be interfaced from ADPICS to R★STARS.

## **9.3 ENTRY OF EXPENDITURE AND PAYMENT PROCESSING TRANSACTIONS**

Expenditure transactions are entered to record expenditures and the associated claims payable of the state. Warrant or direct deposits are generated depending on the payment distribution type on the transaction. Most of these warrants are automatically generated as a result of the payment processing capabilities of R★STARS. System users also record cash expenditure transactions for manual warrants and wire transfers.

Several transaction codes are available to record claims payable that generate the processing of a warrant or direct deposit. For system generated warrants, the reduction of cash and claims payable and the reclassification of expenditures from accrued to cash, occurs automatically on the due date of the warrant as entered on the transaction. For manual warrants and wire transfers, these transactions are generated on the effective date of the transaction entry.

Payment processing automatically generates a warrant and/or direct deposit and liquidates the claim payable transaction on the due date. Users enter the payment distribution type on the transaction or allow it to default. This indicator determines if the vendor will be paid by warrant or direct deposit and also determines if transactions will be combined across documents, funds, and/or agencies before generating a payment to a vendor. The payment distribution type on documents can be changed after the document is approved; however, this must be done centrally. Vendors can be placed on hold with a Disbursement Method Indicator (DMI) set to "H."

Warrants can be expedited and printed during the day; however, this also must be centrally performed by the users with security to allow expedites. Transactions must be error free, approved and posted before they can be expedited.

R★STARS also provides the ability to cancel or stop a single payment, a range of payments, or cancel a document. Cancellations must be performed by central users with special security. Stop payments may be requested by agencies but must be approved by central users with special security.

## **Payment Inquiry**

To view information on warrants, wires, and EFT's, you can look up the warrant number by inquiring on the 84 Accounting Event Record Inquiry, 85 Vendor Transaction Inquiry, or 86 Document Transaction Inquiry screens. To do this, you must know either the document number, the vendor number, or the batch key.

To view further information on EFT's, you can inquire on the 47G EFT Event Details, 47J EFT Payment Amount Inquiry, or 47H EFT Transaction Detail Inquiry screens. To inquire on the 47J and 47H screens, you must know the EFT source, ODFI bank ID, and EFT event number. To inquire on the 47G screen, in addition to the aforementioned field values, you must also know the sequence number which can be obtained by viewing the 47H screen.

To obtain a copy of the purged paid warrant, you must complete a form M1005 State of Michigan, Department of Treasury "Request for Copy or Original Warrant." Forms are available by faxed request to Financial Operations, (517) 373-6941. Please specify the quantity of forms you desire and your mailing address.

Purged warrants are on microfiche. Treasury will process requests (M1005) and return the form and a copy of the warrant to you.

## 9.4 EXAMPLE OF EXPENDITURE TRANSACTIONS

### Pre-Encumbrance Example

An agency plans to order furniture for new employees. A requisition is filled out. The screen below shows the entry of the pre-encumbrance into the system.

```
S505 VER 2.0                      R★STARS ACCOUNTING                      08/15/01 12:00 PM
LINK TO:                          PRE-ENC/ENC/EXPEND TRANSACTION ENTRY    NOTE:                          FACS
BATCH: AGENCY AB2 DATE 052401 TYPE A NO 101 SEQ NO 00002 MODE EDIT AND POST
DOC DATE: 052401   EFF DATE: 052401   DUE DATE:                          SERV DATE:
CUR DOC/SFX: R1000001 001 REF DOC/SFX:                          MOD: AGENCY: AB2
TRANS CODE: 200          ESTABLISH A PRE-ENCUMBRANCE
      INDEX: 62000        R★STARS TRAINING DIVISION
      PCA: 10000          TESTING                                          AY: 01
COMP/AGY OBJ: 8483       OFFICE FURNITURE AND EQUIPMENT
      AMOUNT: 600.00      RVS: DISC:                          1099: FO: PDT:
DOC COUNT: 00001 DOC AMT: 00000000600.00 DOC AGY: AB2 CI:  PROP #:
      INV NO:            DT:          DESC:
VEND/MC:                  NM:
CONT NO:                  ADD1:
WARR NO:                  ADD2:
APPN NO: 04514            ADD3:
FUND: 0008 BNK ID:        ADD4:
GL AC/AGY:                CITY:          ST:          ZIP:          CTRY:
GRANT NO/PH:              SUBGRANTEE:    PROJ NO/PH:
MPCD:                     AGY CD-1:      2:      3:          DI:          RTI:

F1-HELP  F3-RTI  F4-EDIT  F6-BALANCING  F7-DETAILS  F9-INTERRUPT  F10-SAVE
F11-SAVE/CLEAR  F12-HEADERS  CLEAR-EXIT
```



**Encumbrance Example**

A purchase order was filled out and approved for the new furniture. The screen below shows the entry of the encumbrance and the liquidation of the pre-encumbrance into the system.

```

S505 VER 2.0                                R★STARS ACCOUNTING                08/15/01 12:00 PM
LINK TO:                                PRE-ENC/ENC/EXPEND TRANSACTION ENTRY    NOTE:                FACS
BATCH: AGENCY AB2 DATE 052501 TYPE 3 NO 101 SEQ NO 00002 MODE EDIT AND POST
DOC DATE: 052501   EFF DATE: 052501   DUE DATE:                SERV DATE:
CUR DOC/SFX: N1000001 001 REF DOC/SFX: R1000001 001 MOD: F AGENCY: AB2
TRANS CODE: 204          ESTABLISH ENCUMBRANCE PRE-ENCUMBERED
      INDEX: 62000        R★STARS TRAINING DIVISION
      PCA: 10000          TESTING                                AY: 01
COMP/AGY OBJ: 8483      OFFICE FURNITURE AND EQUIPMENT
      AMOUNT: 500.00      RVS: DISC:                1099: FO: PDT:
DOC COUNT: 00001 DOC AMT: 00000000500.00 DOC AGY: AB2 CI:      PROP #:
      INV NO:            DT:                DESC:
VEND/MC: 2409521468 002 NM: TEX-PACK
CONT NO:            ADD1: 217 SOUTH J STREET
WARR NO:            ADD2:
APPN NO: 04514      ADD3:
FUND: 0008 BNK ID:  ADD4:
GL AC/AGY:          CITY: MCCALLEN                ST: TX ZIP: 78501 0000 11
GRANT NO/PH:        SUBGRANTEE:                PROJ NO/PH:
MPCD:              AGY CD-1: 2: 3:                DI:                RTI:

F1-HELP F3-RTI F4-EDIT F6-BALANCING F7-DETAILS F9-INTERRUPT F10-SAVE
F11-SAVE/CLEAR F12-HEADERS CLEAR-EXIT

```

When the appropriate transaction code and reference document number are coded, the system automatically liquidates the pre-encumbrance. Although the amount of the encumbrance is less than pre-encumbrance, R★STARS will automatically liquidate the pre-encumbrance for the original amount when an “F” is entered in the modifier field.

## Expenditure Example

Once the order is received the agency must record the expenditure and liquidate the encumbrance. The completed data entry screen is shown below.

```

S505 VER 2.0                R★STARS ACCOUNTING                08/15/01 12:00 PM
LINK TO:                    PRE-ENC/ENC/EXPEND TRANSACTION ENTRY    NOTE:    FACS
BATCH: AGENCY AB2 DATE 052401 TYPE 4 NO 103 SEQ NO 00002 MODE EDIT AND POST
DOC DATE: 052401    EFF DATE: 052401    DUE DATE:                SERV DATE:
CUR DOC/SFX: VP100001 001 REF DOC/SFX: NR000211 001 MOD: F AGENCY: AB2
TRANS CODE: 225          VOUCHERS PAYABLE PREVIOUSLY ENCUMBERED
INDEX: 62000            R★STARS TRAINING DIVISION
PCA: 10000              TESTING                                AY: 01
COMP/AGY OBJ: 8483      OFFICE FURNITURE AND EQUIPMENT
AMOUNT: 500.00          RVS: DISC:                1099: FO:    PDT: MD
DOC COUNT: 00001 DOC AMT: 00000000500.00 DOC AGY: AB2 CI:    PROP #:
INV NO:                DT:                DESC:
VEND/MC: 2409521468 002 NM: TEX-PACK
CONT NO:              ADD1: 217 SOUTH J STREET
WARR NO:              ADD2:
APPN NO: 04514        ADD3:
FUND: 0008 BNK ID:    ADD4:
GL AC/AGY:            CITY: MCCALLEN                ST: TX ZIP: 78501 0000 11
GRANT NO/PH:          SUBGRANTEE:                PROJ NO/PH:
MPCD:                AGY CD-1: 2: 3:                DI:                RTI:

F1-HELP F3-RTI F4-EDIT F6-BALANCING F7-DETAILS F9-INTERRUPT F10-SAVE
F11-SAVE/CLEAR F12-HEADERS CLEAR-EXIT

```

## Payment Status Reason Codes

The MAIN FACS (R★STARS ) 47C screen displays the description for undeliverable reason codes/payment status approvals. See the screen print below:

```

S47C VER 2.0    STATE OF MICHIGAN -- ACCEPTANCE TEST (TMAIN) 04/18/01 09:08 AM
LINK TO:        PAYMENT STATUS APPROVAL LISTING                TEST
ACTIVE
REQUEST STATUS: U BANK ID: 000

S APPV BANK PAYMENT REAS DESCRIPTION REQUEST TIME USER CURR
ID NO CD MAINT DATE ID STAT
000 070963034 300 W UNDEL AS ADDRESSED-UNDE 01182001 082250 #071AJE I
000 070986178 301 W FORWARD, CHANGE EXPIRED 01182001 082233 #071AJE I
000 071008711 302 W MOVED, LEFT NO ADDRESS- 01182001 082219 #071AJE I
000 071030921 303 W ADDRESSEE UNKNOWN-UNDEL 01182001 082203 #071AJE I

```

## **9.5 CHECKS RETURNED FOR NON-SUFFICIENT FUNDS (NSF)**

MAIN FACS includes an NSF Checks Receivable General Ledger to record amounts due to the State for warrants/checks that were returned from the banking system not paid because of insufficient funds in the bank account. Recording these transactions requires the agency to record several entries because when the checks are initially returned, the Department of Treasury does not have detailed knowledge of the agency's accounting distribution associated with the original deposit. Refer to R★STARS Reference Manual, Appendix B, Chapter 3, for further information.

## 9.6 PAYMENT PROCESSING AND WARRANT CANCELLATION

### Warrant Payment Processing Reason Codes

With any user class, you may view payment processing reason codes on the D53 screen, Titles Profile Listing. This listing provides information on the table IDs and their uses in payment processing.

#### Payment Processing Stop Reason (PPSR) Codes

PPSR	100 - Lost Warrant Good Address
PPSR	101 - Lost Warrant Bad Address
PPSR	102 - Stolen Warrant Good Address
PPSR	103 - Stolen Warrant Bad Address
PPSR	104 - Mutilated Warrant Good Address
PPSR	105 - Mutilated Warrant Bad Address
PPSR	106 - Warrant Not Recd Good Address
PPSR	107 - Warrant Not Recd Bad Address

#### Payment Processing Cancel Reason (PPCR) Codes:

PPCR	200 - Cancel Issued in Error
PPCR	201 - Cancel Incorrect Vendor
PPCR	202 - Cancel Incorrect Amount
PPCR	203 - Cancel Incorrect Acctg Classification
PPCR	204 - Cancel Duplicate Payment
PPCR	205 - Cancel Decd Payee-Not entitled to payment
PPCR	206 - Cancel Misc./Other
PPCR	207 - Cancel L10/L11 Errors
PPCR	208 - Pre Escheat Cancel

#### For Treasury Use Only (PPCR) Codes:

PPCR	230 - Cancel FIA/CIS or Treas Printing Error
PPCR	231 - Cancel FIA Admin Cancel
PPCR	232 - Cancel Ind Inc Tax Undeliverable
PPCR	233 - Cancel Stop Payment
PPCR	234 - Cancel Undeliverable
PPCR	235 - Cancel Misc./Other
PPCR	236 - Canc DCH/FIA/CIS Warrant Over 180 Days Old

#### For Treasury Use Only for FIA CIS Payments Only (PPCR) Codes:

PPCR	250 - Undel as Addressed - FIA/CIS Undel
PPCR	251 - Forward/Change Expired-FIA/CIS Undel
PPCR	252 - Moved, Left no Address-FIA/CIS Undel
PPCR	253 - Addressee Unknown-FIA/CIS Undel
PPCR	254 - Insuff Address- FIA/CIS Undel
PPCR	255 - No Such Num/Street/Address-FIA/CIS Undel
PPCR	256 - Return to Sender/Refused/Unclaimed-FIA/CIS Undel
PPCR	257 - PO Box Closed/PO Box Needed-FIA/CIS Undel
PPCR	258 - Wrong Zip Code-FIA/CIS Undel
PPCR	259 - Payee Deceased-FIA/CIS Undel
PPCR	260 - Retd to Treas by State Agency-FIA/CIS Undel
PPCR	261 - Other- FIA/CIS Undel
PPCR	262 - No Mail Receptacle-FIA/CIS Undel

**Payment Processing Undeliverable Reason (PPUR) (Warrant) Codes:**

PPUR	300 W - Undel as Addressed-Undel.
PPUR	301 W - Forward, Change Expired-Undel.
PPUR	302 W - Moved, Left no Address-Undel.
PPUR	303 W - Addressee Unknown-Undel.
PPUR	304 W - Insufficient Address-Undel.
PPUR	305 W - No Such Number/Street/Address-Undel.
PPUR	306 W - Return to Sender/Refused/Unclaimed-Undel.
PPUR	307 W - PO Box Closed/PO Box Needed-Undel.
PPUR	308 W - Wrong Zip Code-Undel.
PPUR	309 W - Payee Deceased-Undel.
PPUR	310 W - Returned to Treasury by State Agency-Undel.
PPUR	311 W - No Mail Receptacle-Undel.
PPUR	312 W – Correspondence Attached.
PPUR	313 W – No Explanation

**Payment Processing Issue Reason (PPIR) Codes:**

PPIR	400 - Reissue of Warrant
PPIR	401 - Release of Stop
PPIR	402 - Issue to Cancel

**Payment Processing Paid Reason (PPPR) Codes**

PPPR	800 - Manual Adjustment to Paid
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PPPR

801 - Unsuccessful Reversal

**EFT Payment Processing Reason Codes**

With any user class, you may view EFT payment processing reason codes on the D54 screen, System Parameters Profile Listing.

Table ID = EFT

Key 1 = RSNCD,

Key 2 = the reason code (CN, NC, PC, RT, R1, R2, ~~and R3~~, and R4)

Key 3 = the reason code detail.

Listed below are the reason codes and reason code details. This listing provides information on the reason codes and their uses in payment processing.

**Payment Processing Notification of Cancellation For Payment (CN) Codes:**

<u>U01</u>	<u>Issued in Error</u>
<u>U02</u>	<u>Incorrect Vendor</u>
<u>U03</u>	<u>Incorrect Amount</u>
<u>U04</u>	<u>Incorrect Acctg Classification</u>
<u>U05</u>	<u>Duplicate Payment</u>

**Payment Processing Notification of Change For Prenote (NC) Codes:**

C01	Incorrect DFI Account Number
C02	Incorrect Routing Number
C03	Incorrect DFI Act Num & Routing Num
C04	Incorrect Individual Name/Company Name
C05	Incorrect Transaction Code
C06	Incorrect DFI Acct No And Trans Code
C07	Incorrect Rout No/DFI Act No/Trans Code

**Payment Processing Notification of Change For Payment (PC) Codes:**

C01	Incorrect DFI Account Number
C02	Incorrect Routing Number
C03	Incorrect DFI Act Num & Routing Num
C04	Incorrect Individual Name/Company Name
C05	Incorrect Transaction Code
C06	Incorrect DFI Acct No And Trans Code
C07	Incorrect Rout No/DFI Act No/Trans Code

**Payment Processing Reclamation (RC) Code:**

U31 Deceased Payee-Not Entitled To Paymnt

**Payment Processing Returned Prenote (RT) Codes:**

(Returned by Bank)

R01	Insufficient Funds
R02	Account Closed
R03	No Account/Unable To Locate Account
R04	Invalid Account Number
R06	Returned Per ODFI's Request
R07	Authorization Revoked By Customer
R08	Payment Stopped
R09	Uncollected Funds
R10	Customer Advises Not Authorized
R11	Check Truncation Entry Return (Specify)
R12	Branch Sold To Another DFI
R13	RDFI Not Qualified To Participate
R14	Representative Payee Deceased
R15	Beneficiary/Account Holder Deceased
R16	Account Frozen
R17	File Record Edit Criteria (Specify)
R18	Improper Effective Entry Date
R19	Amount Field Error
R20	Non-Transaction Account
R21	Invalid Company Identification
R22	Invalid Individual Id Number
R23	Credit Entry Refused By Receiver
R24	Duplicate Entry
R25	Addenda Error
R26	Mandatory Field Error
R27	Trace Number Error
R28	Wrong Routing Check Digit Error
R29	Corporate Customer Advises Not Auth
R30	RDFI Not Part In Check Truncation Prog
R31	Permissible Ret Entry (CCD & CTX Only)
R32	RDFI Non-Settlement
R33	Return Of XCK Entry
R34	Limited Participation DFI
R35	Return Of Improper Debit Entry
R36	Return Of Improper Credit Entry
R61	Misrouted Return

R62	Incorrect Trace Number
R63	Incorrect Dollar Amount
R64	Incorrect Individual Identification
R65	Incorrect Transaction Code
R66	Incorrect Company Identification
R67	Duplicate Return
R68	Untimely Return
R69	Multiple Errors
R70	Permissible Return Entry Not Accepted
R71	Misrouted Dishonored Return
R72	Untimely Dishonored Return
R73	Timely Original Return
R74	Corrected Return

**Payment Processing Returned Prenote (RT) Codes:**  
(Rejected by Bank)

PND	No 997 Acknowledgement Received
T01	BPR01 Trans Code Invalid
T02	BPR03 Credit/Debit Invalid
T03	BPR02 Dollar Amt Negative
T04	Total RMR Amt Not = Bpr02
T05	BPR02 Amt >99,999,999.99
T06	BPR04 Method Code Invalid
T07	BPR05 Pay Format Invalid
T08	BPR15 RDFI Account Invalid
T09	BPR13 RDFI Route Missing
T10	BPR13 RDFI Route Invalid
T11	BPR16 Invalid Eff Month
T12	BPR16 Invalid Eff Day
T13	BPR02 Amt > 9,999,999,999
T20	Prenote With Non-Zero Amt
T21	Transaction Not An 820
T22	Potential Duplicate File
T23	Batch Numbers Must Be Equal
997	997 Negative Acknowledgement Received

**Payment Processing Reversing Entry (RV) Codes:**

U01	Issued in Error
U02	Incorrect Vendor
U03	Incorrect Amount
U04	Incorrect Accounting Classification



U05 Duplicate Payment

**Payment Processing Returned Payment (R1) Codes:**  
(Returned by Bank)

R01	Insufficient Funds
R02	Account Closed
R03	No Account/Unable To Locate Account
R04	Invalid Account Number
R06	Returned Per ODFI's Request
R07	Authorization Revoked By Customer
R08	Payment Stopped
R09	Uncollected Funds
R10	Customer Advises Not Authorized
R11	Check Truncation Entry Return (Specify)
R12	Branch Sold To Another DFI
R13	RDFI Not Qualified To Participate
R14	Representative Payee Deceased
R15	Beneficiary/Account Holder Deceased
R16	Account Frozen
R17	File Record Edit Criteria (Specify)
R18	Improper Effective Entry Date
R19	Amount Field Error
R20	Non-Transaction Account
R21	Invalid Company Identification
R22	Invalid Individual Id Number
R23	Credit Entry Refused By Receiver
R24	Duplicate Entry
R25	Addenda Error
R26	Mandatory Field Error
R27	Trace Number Error
R28	Wrong Routing Check Digit Error
R29	Corporate Customer Advises Not Auth
R30	RDFI Not Part In Check Truncation Prog
R31	Permissible Ret Entry (CCD & CTX Only)
R32	RDFI Non-Settlement
R33	Return Of XCK Entry
R34	Limited Participation DFI
R35	Return Of Improper Debit Entry
R36	Return Of Improper Credit Entry
R61	Misrouted Return
R62	Incorrect Trace Number
R63	Incorrect Dollar Amount

R64	Incorrect Individual Identification
R65	Incorrect Transaction Code
R66	Incorrect Company Identification
R67	Duplicate Return
R68	Untimely Return
R69	Multiple Errors
R70	Permissible Return Entry Not Accepted
R71	Misrouted Dishonored Return
R72	Untimely Dishonored Return
R73	Timely Original Return
R74	Corrected Return

**Payment Processing Returned Payment (R1) Codes:**  
(Rejected by Bank)

PND	No 997 Acknowledgement Received
T01	BPR01 Trans Code Invalid
T02	BPR03 Credit/Debit Invalid
T03	BPR02 Dollar Amt Negative
T04	Total RMR Amt Not = Bpr02
T05	BPR02 Amt >99,999,999.99
T06	BPR04 Method Code Invalid
T07	BPR05 Pay Format Invalid
T08	BPR15 RDFI Account Invalid
T09	BPR13 RDFI Route Missing
T10	BPR13 RDFI Route Invalid
T11	BPR16 Invalid Eff Month
T12	BPR16 Invalid Eff Day
T13	BPR02 Amt > 9,999,999,999
T20	Prenote With Non-Zero Amt
T21	Transaction Not An 820
T22	Potential Duplicate File
T23	Batch Numbers Must Be Equal
T25	Amount Cannot Be Zero For CCD
997	997 Negative Acknowledgement Received

**Payment Processing Returned Reversal (R2) Codes:**  
(Returned by Bank)

R01	Insufficient Funds
R02	Account Closed
R03	No Account/Unable To Locate Account
R04	Invalid Account Number
R06	Returned Per ODFI's Request

R07	Authorization Revoked By Customer
R08	Payment Stopped
R09	Uncollected Funds
R10	Customer Advises Not Authorized
R11	Check Truncation Entry Return (Specify)
R12	Branch Sold To Another DFI
R13	RDFI Not Qualified To Participate
R14	Representative Payee Deceased
R15	Beneficiary/Account Holder Deceased
R16	Account Frozen
R17	File Record Edit Criteria (Specify)
R18	Improper Effective Entry Date
R19	Amount Field Error
R20	Non-Transaction Account
R21	Invalid Company Identification
R22	Invalid Individual Id Number
R23	Credit Entry Refused By Receiver
R24	Duplicate Entry
R25	Addenda Error
R26	Mandatory Field Error
R27	Trace Number Error
R28	Wrong Routing Check Digit Error
R29	Corporate Customer Advises Not Auth
R30	RDFI Not Part In Check Truncation Prog
R31	Permissible Ret Entry (CCD & CTX Only)
R32	RDFI Non-Settlement
R33	Return Of XCK Entry
R34	Limited Participation DFI
R35	Return Of Improper Debit Entry
R36	Return Of Improper Credit Entry
R61	Misrouted Return
R62	Incorrect Trace Number
R63	Incorrect Dollar Amount
R64	Incorrect Individual Identification
R65	Incorrect Transaction Code
R66	Incorrect Company Identification
R67	Duplicate Return
R68	Untimely Return
R69	Multiple Errors
R70	Permissible Return Entry Not Accepted
R71	Misrouted Dishonored Return
R72	Untimely Dishonored Return
R73	Timely Original Return

R74            Corrected Return

**Payment Processing Returned Reversal (R2) Codes:**  
(Rejected by Bank)

PND	No 997 Acknowledgement Received
T01	BPR01 Trans Code Invalid
T02	BPR03 Credit/Debit Invalid
T03	BPR02 Dollar Amt Negative
T04	Total RMR Amt Not = Bpr02
T05	BPR02 Amt >99,999,999.99
T06	BPR04 Method Code Invalid
T07	BPR05 Pay Format Invalid
T08	BPR15 RDFI Account Invalid
T09	BPR13 RDFI Route Missing
T10	BPR13 RDFI Route Invalid
T11	BPR16 Invalid Eff Month
T12	BPR16 Invalid Eff Day
T13	BPR02 Amt > 9,999,999,999
T20	Prenote With Non-Zero Amt
T21	Transaction Not An 820
T22	Potential Duplicate File
T23	Batch Numbers Must Be Equal
997	997 Negative Acknowledgement Received

**Payment Processing Returned Reclamation (R3) Codes:**  
(Returned by Bank)

R01	Insufficient Funds
R02	Account Closed
R03	No Account/Unable To Locate Account
R04	Invalid Account Number
R06	Returned Per ODFI's Request
R07	Authorization Revoked By Customer
R08	Payment Stopped
R09	Uncollected Funds
R10	Customer Advises Not Authorized
R11	Check Truncation Entry Return (Specify)
R12	Branch Sold To Another DFI
R13	RDFI Not Qualified To Participate
R14	Representative Payee Deceased
R15	Beneficiary/Account Holder Deceased
R16	Account Frozen

R17	File Record Edit Criteria (Specify)
R18	Improper Effective Entry Date
R19	Amount Field Error
R20	Non-Transaction Account
R21	Invalid Company Identification
R22	Invalid Individual Id Number
R23	Credit Entry Refused By Receiver
R24	Duplicate Entry
R25	Addenda Error
R26	Mandatory Field Error
R27	Trace Number Error
R28	Wrong Routing Check Digit Error
R29	Corporate Customer Advises Not Auth
R30	RDFI Not Part In Check Truncation Prog
R31	Permissible Ret Entry (CCD & CTX Only)
R32	RDFI Non-Settlement
R33	Return Of XCK Entry
R34	Limited Participation DFI
R35	Return Of Improper Debit Entry
R36	Return Of Improper Credit Entry
R61	Misrouted Return
R62	Incorrect Trace Number
R63	Incorrect Dollar Amount
R64	Incorrect Individual Identification
R65	Incorrect Transaction Code
R66	Incorrect Company Identification
R67	Duplicate Return
R68	Untimely Return
R69	Multiple Errors
R70	Permissible Return Entry Not Accepted
R71	Misrouted Dishonored Return
R72	Untimely Dishonored Return
R73	Timely Original Return
R74	Corrected Return

**Payment Processing Returned Reclamation (R3) Codes:**  
(Rejected by Bank)

PND	No 997 Acknowledgement Received
T01	BPR01 Trans Code Invalid
T02	BPR03 Credit/Debit Invalid
T03	BPR02 Dollar Amt Negative
T04	Total RMR Amt Not = Bpr02

T05	BPR02 Amt >99,999,999.99
T06	BPR04 Method Code Invalid
T07	BPR05 Pay Format Invalid
T08	BPR15 RDFI Account Invalid
T09	BPR13 RDFI Route Missing
T10	BPR13 RDFI Route Invalid
T11	BPR16 Invalid Eff Month
T12	BPR16 Invalid Eff Day
T13	BPR02 Amt > 9,999,999,999
T20	Prenote With Non-Zero Amt
T21	Transaction Not An 820
T22	Potential Duplicate File
T23	Batch Numbers Must Be Equal
997	997 Negative Acknowledgement Received

**Payment Processing Returned Reclamation (R4) Codes:**  
**(Rejected by Bank)**

<u>PND</u>	<u>No 997 Acknowledgement Received</u>
<u>T40</u>	<u>PCR01 Cancel Type Invalid</u>
<u>T41</u>	<u>Refrence Trans Missing</u>
<u>T42</u>	<u>Payment Already Cancelled</u>
<u>T43</u>	<u>Payment Already Released</u>
<u>T44</u>	<u>Payment Already Rejected</u>
<u>T45</u>	<u>Payment Not Found</u>
<u>997</u>	<u>997 Negative Acknowledgement Received</u>

## Stop Payments and Replacement Warrants

Stop payments may be placed on State warrants. Generally, the stop payment reason codes define when it is appropriate to request a stop payment. However, two unique situations that occur are:

- It is NOT appropriate to request a stop payment for an issued warrant that results in an overpayment. The issued warrant is a negotiable instrument. Treasury will generally not approve these stop payment requests. Placing a stop results in the vendor being charged for a stop payment if the vendor tries to cash the warrant.

It is the agency's responsibility to contact the vendor regarding the overpayment. If the vendor has not cashed the warrant, the agency should request the vendor to return the warrant to the agency. Upon receipt of the warrant, the agency may then request Treasury to cancel the warrant. If the vendor has already cashed the warrant, the agency must work with the vendor to make arrangements for collection of the overpayment.

If an agency has an exceptional need where a warrant needs to be stopped, the agency's Chief Accountant should contact Treasury, Financial Operations Division (517/373-3150), for approval.

- Occasionally, after a warrant has been issued, the agency determines that the address on the warrant is incorrect, and it is unlikely that the warrant will be received by the vendor. If it is deemed fairly certain that the vendor will not receive the warrant (7 calendar days after the payment issue date), the agency may request a stop payment on the warrant. The agency will use Reason Code 107 "Warrant Not Recd Bad Address."

Currently, the only warrants that Treasury can replace on-line in R★STARS are stop payments. Additionally, it is Treasury's policy, at this time, that the only warrants that will be replaced on-line are State Treasurer's warrants that are generated through R★STARS.

At this time, Treasury will not print on-line R★STARS replacement warrants for the following:

- Stop payments for payroll warrants
- Stop payments for retirement warrants
- Stop payments for Family Independence Agency, (FIA) Client Information Services, (CIS) warrants
- Stop payments for Department of Treasury Income Tax warrants
- Manual warrants or locally printed warrants

All of these payments are classified as Payments From Other Systems (PFOS) warrants that are interfaced to R★STARS. Currently, the address for these warrants cannot be viewed in R★STARS. Because of this, it is Treasury's policy that these warrants will not be replaced on-line.

Warrants that are one year old and have an "S" (Stop Payment) status on R★STARS will be escheated. These payments will be transferred to Treasury's Abandoned and Unclaimed Property Division.

Warrants that are escheated with an "S" status are those warrants that have not been replaced (by either Treasury or the agency). When a stop payment affidavit is not returned, the warrant is not replaced. When warrants are replaced, the status of the original warrant must be changed from "S" to "C" (Cancel).

If a warrant is not replaced because the payee is not entitled to it, the agency must request cancellation of the warrant to return the funds to the agency (e.g., a payroll warrant for which the agency prepares a Payroll Refund Adjustment Voucher). Follow the procedures in MAIN HRS Procedures Manual.

A warrant with an "S" status is still a "payment outstanding" and thus a payable remains on the accounting (R★STARS) system. R★STARS warrants are:

- Vendor warrants that are interfaced (excluding PFOS) to R★STARS
- Locally printed warrants
- Manual warrants
- On-line entries via ADPICS or R★STARS

To place a stop payment on any type of warrant (State Treasurer's warrant, locally printed warrant, or manual warrant), the agency should do the following:

- With User Class 83 in R★STARS, go to the 47A Warrant Status Maintenance screen.
- Enter the appropriate bank ID (000 for State Treasurer's R★STARS generated warrants).
- Enter the warrant number to be stopped.
- View the screen to determine the current status of the warrant. The current status must be "I" (Issued) in order to request a stop payment.

To place a stop payment on a warrant, the warrant must be on the 47A screen. If an agency needs to place a stop payment on a manual warrant that has not been entered in R★STARS/ADPICS, the agency must first enter the warrant in R★STARS/ADPICS and then request the stop payment on the 47A screen. The warrant will not be visible on the 47A screen until the day after the agency enters it in R★STARS/ADPICS.



To do this, type “S” (Stop Payment) in the Request Status field on the 47A screen and the appropriate three-digit reason code in the Request Reason Code field on the 47A screen, and press “F10—Save” twice.

When selecting the correct stop payment reason code for R★STARS warrants, using the 47A screen, an agency can review and correct the payee name, address, and amount by viewing the following screens.

Look up the warrant on the 47A screen using the correct bank ID and warrant number. The 47A screen will contain:

- Current status of the warrant
- Vendor number (if available)
- Vendor name
- Vendor address
- Vendor mail code (if used)
- the amount of the warrant

The payee name, address, and the amount of the original R★STARS generated warrant must be the same for the replacement warrant in order for Treasury to issue a replacement warrant on-line in R★STARS.

When Treasury reviews the 47C Payment Status Approval Listing screen to approve stop payments, the items with “Good Address” reason codes will be processed by Treasury as follows:

- Treasury, Financial Operations Division, will approve the stop payment on the 47C screen.
- Once the stop is approved by Treasury, Financial Operations Division, Treasury will not honor the warrant if it is presented for payment.
- Treasury will send a “stop affidavit” form, Form M-1007 to the payee.
- When the payee returns the “stop affidavit” form to Treasury, Financial Operations Division, Treasury will review the form to verify that the payee name, address, and the dollar amount of the warrant are to be the same as on the original warrant.
- If the payee name, address, and the dollar amount of the replacement warrant are to be the same as on the original warrant, Treasury will replace the warrant on-line in R★STARS. The accounting will be the same as on the original warrant. The new replacement warrant will be cross-referenced in R★STARS to the original warrant. The original warrant number is not cross-referenced to the replacement warrant number.

An agency can determine if a warrant has been replaced by Treasury by viewing the original warrant on the 47A screen. The current status of the original warrant will be “R” (Replaced).

Additionally, on the 47A screen, an agency can determine if a warrant is a replacement warrant. There will be an “R” in the “Replacement Warr Ind” field if the warrant is a replacement warrant.

If the affidavit was returned to Treasury by the payee, and the payee indicated that the name, address, dollar amount, or any combination of the three are to be different, Treasury will contact the agency that requested the stop payment. Treasury will NOT issue an on-line replacement warrant.

When Treasury contacts the agency who requested the stop payment and indicates that Treasury will not issue a replacement warrant, the following procedure applies:

Treasury will forward the stop payment affidavit to the agency. Treasury will keep a copy of the affidavit. The agency will issue a new payment to the payee (if the original warrant was a State Treasurer's warrant, it is preferable that the new payment be on a State Treasurer's warrant). The agency must request Treasury to cancel the original warrant. The cancellation of the original warrant must not be done until either the agency is ready to issue a new payment or the payment has been generated. When the warrant is cancelled, it reverses the original accounting entry so that those funds (cash) can be used to make the new payment. The agency retains copies of stop affidavits for three years or until after audit.

If, at the time the stop payment is requested, the agency determines that the payee name, address, or the amount of the original R★STARS generated warrant are different then that needed on the replacement warrant, agencies must do the following:

- The agency will request the stop payment on Screen 47A.
- Treasury, Financial Operations Division, will approve the stop payment on the 47C screen.
- When Treasury places the cancellation on the warrant, the original accounting entries are reversed.
- Once the stop is approved by Treasury, Treasury will not honor the warrant if it is presented for payment.
- The agency must request the payee to complete a Stop Payment Affidavit if the original warrant amount was for \$25 or more. Cancels and reissues for warrants under \$25 can be done without an affidavit—a print of Screen 47A must be submitted with a notation to cancel. Use Stop Payment Affidavit Form M-1007.
- When the agency receives a completed affidavit from the payee, send one copy to Treasury with the cancel box checked. A new warrant is not to be issued by the agency when the amount is greater than \$25, until the completed affidavit is returned and forwarded to Treasury.
- It is the agency's responsibility to ensure that the new payment transaction is entered in R★STARS or ADPICS and a new warrant issued.

- An affidavit is not necessary to have a warrant cancelled if it is not to be reissued. If an agency fails to issue a new warrant, the stopped warrant will remain as an accounts payable and will be escheated upon the expiration date. If a warrant should not be replaced, the cancellation correctly adjusts the accounting records.

### **Replacement of Warrants for Payments From Other Systems (PFOS Warrants)**

If replacement warrants are needed as a result of stop payments placed on the original PFOS warrants, it is the responsibility of the originating agency to send a stop payment affidavit to the payee, for warrants greater than \$25. When the agency receives a completed affidavit from the payee, the agency is to provide the replacement payment.

For payroll warrants:

- Use reason codes that include “Bad Address.”
- Follow the same procedure as above, with the following exceptions:
  - Upon receipt of the completed affidavit, the agency will issue a replacement warrant. The replacement warrant is to be generated by entering a payment transaction in ADPICS/R★STARS with a Disbursement Method Indicator (DMI) = “L” or “M.” A locally printed warrant or a manual warrant should be done by the accounting office of the agency for which the employee is employed.
  - In R★STARS, payroll payments are not associated with each individual MAIN FACS agency. Instead, Agency 900 has been established as the Payroll Clearing Fund. When Treasury cancels the warrant, the funds (cash) are reversed in the Payroll Clearing Fund. But, when the agency issues a locally printed warrant or a manual warrant, the payment is from an index for that agency's MAIN FACS agency. Therefore, the agency must request, in writing, that the Department of Management and Budget, Assets and Payroll Operations Division, do an on-line journal voucher to move the funds from MAIN FACS AGENCY 900 to the agency.
  - If the agency does not replace the payroll warrant, the agency will need to determine if it is necessary to prepare a Payroll Refund Adjustment Voucher. Follow MAIN HRS Procedures Manual.

For retirement warrants:

- Use reason codes that include “Bad Address.”
- Follow the same procedure as above, with the following exception:
  - Upon receipt of the completed affidavit, the agency will issue a new warrant. The new warrant is to be generated by entering a payment transaction with a DMI = L or M. This allows the agency to generate a State Treasurer's warrant, a locally printed warrant, or a manual warrant.

For FIA/CIS warrants:

- Use reason codes that include “Bad Address.”
- Follow the same procedure as above, with the following exception:
  - Certain FIA R★STARS generated warrants are replaced on the CIS system with State Treasurer's warrants. These are all warrants written on Bank IDs 002 and 003. Stops for these R★STARS generated warrants should be treated the same as CIS warrants. Therefore, use a reason code with “Bad Address,” so that Treasury does not replace these warrants on R★STARS.

For income tax warrants:

- Use reason codes that include “bad address.”
- Follow the same procedure as above, with the following exception:
  - The Treasury, Financial Operations Division, will prepare the “stop affidavit” forms for income tax warrants and forward the completed forms to Individual Income Tax (IIT), Accounting and Adjusting Entries.
  - Income tax stop payment warrants will be replaced through the income tax system. State Treasurer's warrants will be issued.

## Cancellation of Warrants

Listed below are some reasons why it may be necessary to cancel a warrant:

- Treasury notices a problem with a State Treasurer's warrant at the time it is printed. Example: A social security number is used, but the payee is not an individual. There is no payee on the warrant—only an address.
- A State Treasurer's warrant is returned to Treasury as undeliverable. Treasury processes the undeliverable. The agency now needs to issue a new payment to replace the undeliverable warrant.
- Treasury Income Tax and FIA/CIS warrants that are undeliverable are cancelled upon receipt from the post office.
- Mutilation of warrants in the printing or mailing process at Treasury or FIA.
- A payee returns a warrant to an agency.
- Retirement warrants are printed. Before they are mailed, Treasury will pull warrants, prior to mailing, upon request from Retirement.
- FIA/CIS warrants that are pulled and cancelled by Treasury as FIA/CIS Administrative Cancels.

Listed below are some reasons why Treasury will not allow a cancellation of a warrant:

- The agency requests a cancellation on-line, but does not send the warrant to Treasury.
- The R★STARS warrant has already been printed.
- Treasury will not pull and cancel payroll warrants once they have been printed but not yet distributed.
- A warrant results from an overpayment to the vendor. To cancel the warrant, the agency must contact the vendor and obtain physical possession of the warrant. The agency must then send the warrant and a screen print of Screen 47A to Treasury, requesting cancellation of the warrant. If the vendor has already cashed the warrant, the agency must take other steps to collect the overpayment. It is NOT appropriate to request a stop payment for a warrant that results in an overpayment because this is a negotiable instrument. Treasury will generally not approve these stop payment requests. Placing a stop results in the vendor being charged for a stop payment if the vendor tries to cash the warrant.

To cancel a State Treasurer's warrant, manual warrant, or locally printed warrant where the payee has returned the warrant to the agency:

- An agency receives a warrant from a payee that needs to be cancelled.
- Using a pen or a stamp, the agency writes "VOID" in large letters across the face of the warrant.
- Using User Class 83 in R★STARS, go to the 47A screen:
  - Enter the appropriate bank ID number.
  - Enter the warrant number to be cancelled.
  - View the screen to determine the current status of the warrant. The current status must be "I" (Issued) in order to request a cancellation.

In order to place a cancellation on a warrant, the warrant must be on the 47A screen. If an agency needs to request a cancellation on a manual warrant that has not been entered in R★STARS/ADPICS, the agency must first enter the warrant in R★STARS/ADPICS and then request the cancellation on the 47A screen. The warrant will not be visible on the 47A screen until the day after the agency enters it in R★STARS/ADPICS.

- In the Request Status field on the 47A screen, type "C" (Cancellation).
- In the Request Reason Code field on the 47A screen, type the appropriate three-digit reason code and press "F10—Save," twice.

Print Screen 47A with the warrant information. Note on the screen print that the warrant needs to be cancelled. Also note the cancellation reason code. Attach the warrant to the 47A screen print and mail to:

Department of Treasury  
Financial Operations Division  
Third Floor, Treasury Building  
P.O. Box 15128  
Lansing, MI 48901

Treasury will approve the cancellation on the 47C screen. Once Treasury approves the cancellation, the original accounting transaction is reversed.

Procedures for the Departments of Treasury and Family Independence Agency to cancel a Treasury or FIA/CIS printed warrant that has been damaged or mutilated in printing or mailing equipment:

- Warrants are forwarded to Treasury, Financial Operations Division.
- Treasury, Financial Operations Division, either cancels the warrants on the 47A screen or processes the cancellation through electronic equipment that updates the 47A screen.
- If the warrant is a FIA/CIS warrant, it is reissued by FIA/CIS.
- If the warrant is a Treasury warrant, it is reissued by Treasury.
- Treasury uses Cancellation Reason Code 230 "Cancel FIA/CIS or Treas Printing Error" to cancel these warrants. Only Treasury uses Cancellation Reason Code 230.
- The Department of Treasury uses an alternate procedure for payroll warrants:
  - Treasury deposits the warrants into a Treasury index (account) and reissues the payments via manual or locally printed warrants. The original payroll warrant will have a "P" (Paid) status on the 47A screen.
  - Occasionally, Treasury may contact an agency to replace a payroll warrant. In this case, Treasury will cancel the original warrant. The agency will need to request a journal voucher from DMB, Assets and Payroll Operations Division, to transfer the money from MAIN FACS Agency 900 to the agency's MAIN FACS agency.

To cancel a State Treasurer's FIA/CIS warrant that has been pulled:

Only Treasury will use Reason Code 231 "Cancel FIA Admin Cancel." This reason code is used when FIA/Treasury pull client warrants from the CIS warrants before they are mailed.

FIA/Treasury staff forward the warrants to Treasury, Financial Operations Division, to cancel the warrants on the 47A screen or through the electronic equipment that updates the 47A screen.

Cancellation of income tax warrants (undeliverables):

Department of Treasury income tax warrants that are returned by the postal service as undeliverable are immediately cancelled by Treasury. Treasury uses Reason Code 232 "Cancel Ind Inc Tax Undeliverable." This reason code is only to be used by Treasury, Financial Operations Division.

Cancellation of a warrant that has been stopped with a stop payment request:

A warrant that has been stopped because of a stop payment request needs to be cancelled if another warrant is issued by the agency or Treasury to replace the original warrant. Cancellation Reason Code 233 "Cancel Stop Payment" is used. This cancellation reason code may only be used by Treasury.

To cancel a State Treasurer's manual or locally printed undeliverable warrant:

- Warrants that are printed by Treasury and FIA are mailed in Treasury envelopes. If the post office cannot deliver these warrants, the warrants are returned to the Department of Treasury.
- Manual warrants and locally printed warrants that are mailed by agencies are mailed in agency envelopes. If the post office cannot deliver these warrants, the warrants are returned to the agency.

Cancellation Reason Code 234 "Cancel Undeliverable" is used to cancel undeliverable warrants when the agency replaces these warrants with new payments.

When local offices receive State Treasurer's warrants that need to be cancelled (duplicate payments, incorrect amounts, not entitled to, etc.):

- The warrants must be returned to Treasury with a copy of the 47A screen print of the warrant. (The warrant must have an "I" [Issued] status.) On the 47A screen print, indicate the warrant should be cancelled by Treasury using the proper cancellation reason code. This reason code may only be entered on R★STARS by Treasury. FIA will use Reason Code 260 "Retd to Treas by State Agency-FIA/CIS undel" for CIS payments. For all other payments, FIA and all other departments will use the reason code that correctly identifies the reason being used.

This reason code, for cancellation purposes, was added primarily for FIA local offices. FIA local offices receive returned State Treasurer's warrants (not undeliverable—the clients bring or mail the warrants to the case workers). When the FIA case worker receives the warrant, the case worker determines if the warrant needs to be cancelled and replaced on CIS or if it should be cancelled and not replaced. The case worker uses the CIS system to generate a replacement warrant; therefore, the returned warrant is to be mailed to Treasury as noted below:

U.S. Mail:

Michigan Department of Treasury  
Financial Operations Division  
P.O. Box 15128  
Lansing, MI 48901

ID Mail:

Treasury  
Financial Operations Division

Cancelled warrants are purged from R★STARS when the warrant is 45 to 60 days old or more and has a “Cancelled” status.

## Undeliverable Warrants

When State Treasurer's warrants (this includes warrants printed at Treasury [Bank IDs 000 and 001] and those printed at the Family Independence Agency for the CIS system [Bank IDs 002 and 003]) are mailed, they are mailed in Treasury envelopes; therefore, if the post office is unable to deliver the warrants, they are returned to Treasury. Undeliverable warrants also include other warrants that are returned to Treasury (for example, a payee indicates the payment is for the wrong amount or does not belong to the payee).

Treasury sorts the undeliverable warrants by categories. Vendor warrants are the warrants that are produced through R★STARS. All of these undeliverable warrants are coded as “U” (Undeliverable) warrants in R★STARS. Reason codes include specific information on R★STARS as provided by either the postal service or the payee. The undeliverable warrant reason codes are in the 300 W series of reason codes.

Once the agency receives the undeliverable warrant notification from Treasury, it is the agency's responsibility to process the undeliverable warrants. In R★STARS, if a warrant has a “U” (Undeliverable) status on the 47A screen, the warrant is still on the R★STARS system as a payment outstanding. A payable is on the system for the warrant amount.

The agency must determine what the correct address is for the payee. Agencies should take a proactive approach to obtain a new or correct address for the payee. If the payee is on the vendor file, the address must be added to the vendor file (assuming the address was not on the vendor file as a different mail code). Proper procedures to update the vendor file should be followed.

Once a valid address is obtained for the payee, the agency must request Treasury to cancel the original warrant. The agency should do the following:

Using User Class 15 in R★STARS, go to the 47A screen:

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- Enter the appropriate bank ID number.
- Enter the warrant number to be cancelled.
- View the screen to determine the current status of the warrant. The current status of an undeliverable warrant will be “U” (Undeliverable).

For Treasury to place a cancellation on a warrant, the warrant must be on the 47A screen. Print a screen print of Screen 47A with the warrant information. Note on the screen print that the warrant needs to be cancelled with Reason Code 234, “Cancel Undeliverable.”

Mail or fax the screen print to Treasury:

U.S. Mail:

Michigan Department of Treasury  
Financial Operations Division  
P.O. Box 15128  
Lansing, MI 48901

I.D. Mail:

Treasury  
Financial Operations

Fax: 517-373-6941

Using the 47A screen, Treasury will change the warrant status from “U” (Undeliverable) to “I” (Issue) to “C” (Cancel). Once Treasury cancels the warrant, the original accounting entries are reversed.

Undeliverable warrants in Bank IDs 000 and 001 will remain on R★STARS with an “Undeliverable” status for 365 days (1 year). At that time, these warrants will be escheated and purged from R★STARS. The warrant data will be transferred to the Department of Treasury, Abandoned and Unclaimed Property Division.

Undeliverable Family Independence Agency, Client Information Systems (FIA/CIS) warrants (Bank IDs 002 and 003):

- The FIA/CIS undeliverable warrants will be cancelled by Treasury when Treasury receives the undeliverable warrants from the postal service.
- The reason codes that will be used by Treasury for these undeliverable warrants are the Cancellation Reason Codes 236-262.
- Procedures have been established by FIA to record accounts payable in R★STARS for these warrants.
- FIA will issue any replacement warrants needed through the CIS system. Any warrants that are not replaced will remain as accounts payable, for a designated time

period. Warrants that are not cancelled or replaced will be escheated at the end of 365 days.

Undeliverable Department of Treasury income tax warrants:

- Undeliverable income tax warrants will be cancelled by Treasury when Treasury receives the undeliverable warrants from the postal service.
- The reason code that will be used by Treasury for these undeliverables is 232.
- Procedures have been established by Treasury to record accounts payable in R★STARS for these warrants.
- Treasury Income Tax Division will reissue income tax warrants through the income tax system.
- Treasury Income Tax Division will escheat undeliverable income tax warrants that have not been replaced at the end of 365 days. Treasury will establish the time frame for when routine escheating will occur.

Undeliverable manual and locally printed warrants:

- Manual and locally printed warrants are mailed by agencies in their own envelopes; therefore, undeliverable manual and locally printed warrants are returned to the agencies by the postal service.
- Agencies should mark the warrant as void when received. A log should be maintained for these undeliverable warrants.
- Agencies must attempt to obtain a new address for the undeliverable manual warrants within one week of receiving the returned warrant.
  - If an agency obtains a new address within a week the original warrant was returned, the agency may send the warrant to the new address.
  - The agency should update the vendor file as appropriate.
- If the agency is unable to find a valid address for the payee within a week, the warrant must be sent to Treasury.
  - Using a pen or a stamp, the agency writes "VOID" in large letters across face of warrant.
  - On the warrant, the agency writes "Reason Code 310" (Ret'd to Treas. by State Agency-Undel).
  - Agency sends warrant to Treasury:

U.S. Mail:

Department of Treasury  
Financial Operations Division  
Third Floor, Treasury Building  
P.O. Box 15128  
Lansing, MI 48901

I.D. Mail:

Treasury  
Financial Operations

- Agency retains warrant envelope, remittance advice, any inserts, and any correspondence.
- Upon receipt of the undeliverable warrant from the agency, Treasury will process the warrant as an undeliverable warrant. R★STARS will be updated with a “U” status code, Reason Code 310. No envelope documentation will be returned to the agency. When Treasury records the “Undeliverable” status in R★STARS, the warrant, in effect, remains in a payable status (payments outstanding).

For Treasury to record the “Undeliverable” status of a manual warrant in R★STARS, the warrant must be recorded in R★STARS. An agency can determine if a warrant has been entered in R★STARS by viewing the 47A screen for the correct bank ID and warrant number. If any agency determines a manual warrant is not in the R★STARS system, the agency must first enter the warrant in R★STARS/ADPICS before forwarding the undeliverable warrant to Treasury. The warrant will not be visible on the 47A screen until the day after the agency enters it in R★STARS/ADPICS.

It is the agencies’ responsibility to continue to try to find a correct address for the payee.

## Issuing Warrants

When a warrant is first recorded to R★STARS Payments Control and Cancellation Tables (Screen 47A), it is assigned a status code of “I” (Issued). The warrant stays in the “Issued” status until further activity occurs.

When a warrant is paid by Treasury, the status is changed from “I” to “P.” When an agency requests a status change, Treasury must confirm the current status of the warrant via the 47A screen. If the status is NOT “I” then Treasury will change the status to “I,” and then change the status to the requested value. This interim status change step is a required step. Listed below are reason codes for this type of status change. Note that Treasury CAN NOT change the warrant status once it has a “P” status or a “C” status.

400 - Reissue of Warrant. An example of when this reason code is used is if Treasury places a cancellation on a warrant, on-line, and the cancellation is in error. When cancellations are placed or approved on-line (on R★STARS) by Treasury, the warrant status is changed to "D," which is a temporary status code for a cancellation. In that night's batch run, the warrant status will be changed to "C," for cancellation. Once the status is a "C," no correction can be made to the warrant. However, if it is determined that the "Cancellation" status was placed on the warrant in error while the warrant has a "D" status, Treasury can change the status back to "I" using the 400 reason code.

401 - Release of Stop. This reason code will be used if an agency requested that a stop payment be placed on the warrant in error. For example:

- A payee contacts an agency and indicates a lost warrant.
- The agency requests a stop payment on the warrant on the 47A screen.
- Treasury approves the stop payment request on the 47C screen.
- Subsequently, the payee contacts the agency. The payee has found the lost warrant.
- The agency contacts Treasury at 517/373-3150, to change the warrant status from "S" (Stop Payment) back to an "I" (Issued).
- Treasury changes the status code of the warrant on the 47A screen from "S" (Stop Payment) to "I" (Issued), Reason Code 401.
- The payee may now cash the original warrant.
- The warrant status can only be changed to "Issued" if the payment has not yet been escheated. Warrants that remain in "S" status for 365 days will be escheated and purged from R★STARS.

402 - Issue to Cancel. This reason code will be used when an agency requests that a warrant with an “Undeliverable” status be changed to a “Cancellation.” It will also be used when an agency requests that a warrant with a “Stop” status be changed to a cancellation.

**Undeliverable:**

- Agency receives an undeliverable warrant from Treasury or has received an undeliverable manual or locally printed warrant from the postal service, and the agency had previously sent the warrant to Treasury to be entered in R★STARS as an undeliverable warrant.
- Agency obtains a new address for the payee. (If appropriate, agency requests DMB to add address to the vendor file.)
- Agency reissues the payment to the payee at the new address.
- Agency requests Treasury to cancel original warrant. Treasury will use Reason Code 402 for “I” status and then 234 for “C” status.
- When Treasury places the cancellation on the warrant, the original accounting transaction is reversed.

**Stop payments:**

- Agency becomes aware that a warrant issued is outstanding and needs a stop payment placed on it.
- Agency requests a “stop payment” on R★STARS 47A screen.
- Agency verifies that the warrant was originally mailed to a good address. If not, the agency obtains a good address and requests DMB to add the new, corrected address to the vendor file.
- If the agency used a “Good Address” reason code (100, 102, 104, 106), Treasury will send an affidavit to the payee, and upon receipt of the completed affidavit, reissue the payment.
- If the agency used a “Bad Address” reason code (101, 103, 105, 107), Treasury will approve the stop payment request. The agency must send an affidavit to the payee and then forward a copy of the completed affidavit to Treasury, Financial Operations with the cancel box checked. Treasury will cancel the warrant using the 233 “Cancel Stop Payment” reason code.
- When Treasury places the cancellation on the warrant, the original accounting transactions are reversed. The agency must issue a new warrant.

## **Reissuing Canceled Warrants From Previous Fiscal Year**

It is important to designate the appropriate appropriation year when reissuing warrants that have been canceled. Special attention to this distinction is most important around Year-End Close.

For example, if a warrant issued with Appropriation Year and Fiscal Year 1997 R★STARS coding block is canceled in Fiscal Year 1998, when the warrant is reissued in 1998, you must be sure to charge the same Appropriation Year 1997 R★STARS coding block as charged on the original warrant. Generally, the only difference between the original voucher payable and the reissuance will be the effective date.

## **Paid Warrants**

When warrants are paid by Treasury, Treasury sends an interface file to R★STARS to update the warrant status to “P” (Paid).

If a warrant is changed by Treasury to a “P” (Paid) status on-line in R★STARS, the warrant will show a status of “P” with a reason code of 800 “Manual Adjustment to Paid.”